

Red River Revel Arts Festival**Financial Statements
December 31, 2009 and 2008**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/25/10

**Red River Revel Arts Festival
December 31, 2009 and 2008**

Table of Contents

Page

1	Statements of Financial Position December 31, 2009 and 2008
2	Statement of Activities for the Year Ended December 31, 2009
3	Statement of Activities for the Year Ended December 31, 2008
4	Statements of Cash Flows for the Years Ended December 31, 2009 and 2008
5	Notes to Financial Statements December 31, 2009 and 2008
11	Independent Auditor's Report
12	Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>

Red River Revel Arts Festival

Statements of Financial Position December 31, 2009 and 2008

	Assets	
	<u>2009</u>	<u>2008</u>
Current assets		
Cash and cash equivalents	\$ 45,297	\$ 24,546
Grants receivable	6,029	7,101
Unrestricted contributions receivable	8,002	6,042
Inventory	654	991
Total current assets	<u>59,982</u>	<u>38,680</u>
Property and equipment - net	5,998	10,192
Restricted cash	<u>475</u>	<u>325</u>
Total assets	<u>\$ 66,455</u>	<u>\$ 49,197</u>
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts payable	\$ 31,641	\$ 43,780
Note payable - line of credit	175,000	60,802
Deferred income	4,870	-
Other accrued liabilities	6,111	5,993
Total current liabilities	<u>217,622</u>	<u>110,575</u>
Net assets (deficit)		
Unrestricted	(152,642)	(62,703)
Temporarily restricted	1,000	1,000
Permanently restricted	475	325
Total net assets (deficit)	<u>(151,167)</u>	<u>(61,378)</u>
Total liabilities and net assets (deficit)	<u>\$ 66,455</u>	<u>\$ 49,197</u>

The accompanying notes are an integral part of these financial statements.

Red River Revel Arts Festival

Statement of Activities for the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Sponsor contributions	\$ 20,000	\$ -	\$ -	\$ 20,000
Underwriter contributions	195,415	-	-	195,415
Individual contributions	10,586	-	150	10,746
Corporate contributions	25,750	-	-	25,750
In-kind services - public	76,425	-	-	76,425
In-kind services - private	213,985	-	-	213,985
Government and foundation grants	121,164	-	-	121,164
Other support - BREW	115,259	-	-	115,259
Other support - CORK	156,864	-	-	156,864
Total public support	935,458	-	150	935,608
Operating revenue				
Concessions	415,079	-	-	415,079
Admissions	146,868	-	-	146,868
Poster and souvenir sales	25,485	-	-	25,485
Booth fees	95,720	-	-	95,720
Other operating revenue	62,670	-	-	62,670
Total operating revenue	745,822	-	-	745,822
Other revenue				
State pass-through grant - Shreveport				
Festival Plaza Pavillion No. 2	35,379	-	-	35,379
Total other revenue	35,379	-	-	35,379
Total revenue	1,716,659	-	150	1,716,809
Expenses				
Program services				
Red River Revel Arts Festival	1,360,660	-	-	1,360,660
Farmers' Market	24,783	-	-	24,783
Shreveport Festival Plaza Pavillion No. 2	35,379	-	-	35,379
Total program services	1,420,822	-	-	1,420,822
Supporting services				
Management and general	95,480	-	-	95,480
Fundraising - BREW	148,059	-	-	148,059
Fundraising - CORK and other	142,227	-	-	142,227
Total supporting services	385,776	-	-	385,776
Total expenses	1,806,598	-	-	1,806,598
Increase (decrease) in net assets	(89,939)	-	150	(89,789)
Net assets (deficit), beginning of year	(62,703)	1,000	325	(61,378)
Net assets (deficit), end of year	\$ (152,642)	\$ 1,000	\$ 475	\$ (151,167)

The accompanying notes are an integral part of these financial statements.

Red River Revel Arts Festival

Statement of Activities for the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Sponsor contributions	\$ 50,000	\$ -	\$ -	\$ 50,000
Underwriter contributions	211,715	-	-	211,715
Individual contributions	-	-	200	200
Corporate contributions	23,000	-	-	23,000
In-kind services - public	116,760	-	-	116,760
In-kind services - private	461,795	-	-	461,795
Government and foundation grants	157,132	-	-	157,132
Other support - CORK	166,263	-	-	166,263
Total public support	<u>1,186,665</u>	<u>-</u>	<u>200</u>	<u>1,186,665</u>
Operating revenue				
Concessions	556,369	-	-	556,369
Admissions	203,836	-	-	203,836
Poster and souvenir sales	33,270	-	-	33,270
Booth fees	91,349	-	-	91,349
Other operating revenue	98,761	-	-	98,761
Total operating revenue	<u>983,585</u>	<u>-</u>	<u>-</u>	<u>983,585</u>
Other revenue				
State pass-through grant - Shreveport				
Festival Plaza Pavillion No. 2	304,686	-	-	304,686
Interest	116	-	-	116
Total other revenue	<u>304,802</u>	<u>-</u>	<u>-</u>	<u>304,802</u>
Total revenue	<u>2,475,052</u>	<u>-</u>	<u>200</u>	<u>2,475,252</u>
Expenses				
Program services				
Red River Revel Arts Festival	1,806,335	-	-	1,806,335
Farmers' Market	12,928	-	-	12,928
ICE - A Red River Holiday Event	21,051	-	-	21,051
Shreveport Festival Plaza Pavillion No. 2	304,686	-	-	304,686
Total program services	<u>2,145,000</u>	<u>-</u>	<u>-</u>	<u>2,145,000</u>
Supporting services				
Management and general	106,434	-	-	106,434
Fundraising - CORK and other	141,830	-	-	141,830
Total supporting services	<u>248,264</u>	<u>-</u>	<u>-</u>	<u>248,264</u>
Total expenses	<u>2,393,264</u>	<u>-</u>	<u>-</u>	<u>2,393,264</u>
Increase (decrease) in net assets	81,788	-	200	81,988
Net assets (deficit), beginning of year	(144,491)	1,000	125	(143,366)
Net assets (deficit), end of year	<u>\$ (62,703)</u>	<u>\$ 1,000</u>	<u>\$ 325</u>	<u>\$ (61,378)</u>

The accompanying notes are an integral part of these financial statements.

Red River Revel Arts Festival

Statements of Cash Flows for the Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Change in net assets	\$ (89,789)	\$ 81,988
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	3,815	4,004
Loss on retirement of fixed assets	379	-
Change in assets and liabilities		
Decrease (increase) in		
Grants receivable	1,072	15,411
Unrestricted contributions receivable	(1,960)	29,356
Inventory	337	510
Restricted cash	(150)	(200)
Increase (decrease) in		
Accounts payable	(12,139)	(141,104)
Deferred income	4,870	-
Other accrued liabilities	118	(25,171)
Net cash provided by (used in) operating activities	<u>(93,447)</u>	<u>(35,206)</u>
Cash flows from financing activities		
Advances from line of credit	114,198	802
Net cash provided by (used in) financing activities	<u>114,198</u>	<u>802</u>
Net increase (decrease) in cash and cash equivalents	20,751	(34,404)
Cash and cash equivalents - beginning of year	<u>24,546</u>	<u>58,950</u>
Cash and cash equivalents - end of year	<u>\$ 45,297</u>	<u>\$ 24,546</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 4,069</u>	<u>\$ 4,679</u>

The accompanying notes are an integral part of these financial statements.

Red River Revel Arts Festival

Notes to Financial Statements December 31, 2009 and 2008

Note 1 Organization and Significant Accounting Policies

The Red River Revel Arts Festival (the "Revel") is a not-for-profit corporation formed under the laws of the State of Louisiana. The Revel was established to promote awareness of the Arts to the general public. Support and sponsorships are provided each year for the Revel's events in the form of in-kind services, various government and foundation grants, and corporate and individual contributions. The Revel is comprised of the following programs:

Red River Revel Arts Festival

This event was originated under the sponsorship of The Junior League of Shreveport-Bossier, Inc. ("The Junior League"). Each year since 1976, this eight-day arts festival has united people throughout the area to enjoy a celebration of visual and performing arts. The outdoor festival attracts more than 200,000 people and is ordinarily held the first full week of October. Numerous volunteers donate their time and efforts to help manage the festival's activities. The Red River Revel Arts Festival celebrates the arts with more than 130 visual artists from across the country, five performance stages that feature live music and a large area dedicated specifically to providing arts education for children.

Shreveport Farmers' Market

During the summer and fall seasons, a farmers' market is held at the downtown Festival Plaza to unite local farmers, gardeners, and others within the community to enjoy locally grown fruits, vegetables, and plants; homemade breads and jams; and a variety of other locally produced foods. Live music is featured during the event.

Shreveport Festival Plaza Pavillon No. 2

On December 3, 2007, the State of Louisiana and the Red River Revel Arts Festival entered into a cooperative endeavor agreement whereby the State will fund \$400,000 from the Capital Outlay Budget for the planning and construction of the Shreveport Festival Plaza Pavillon No. 2. This project is administered by the Office of Facility Planning and Control in accordance with the *Non-State Entity Capital Outlay Administrative Guidelines, July 1999 ed.* On December 18, 2007, the City of Shreveport (owner), the Revel (user group) and Dunn Construction L.L.C. (contractor) signed a Standard Form of Agreement for the project for \$430,000. This is a pass-through grant where contractor invoices are submitted to the State of Louisiana. The State then makes the payments directly to the Revel. The Revel pays the exact amount to the City of Shreveport. Then, the City submits payments to the contractor. The actual construction began in 2008 and was completed in early 2009.

Significant Accounting Policies

A summary of the Revel's significant accounting policies is as follows:

Financial Statement Presentation - The Revel presents its financial statements in accordance with FASB ASC 958-205 and subsections (formerly SFAS No. 117, *Financial Statements for Not-for-Profit Organizations*), which establishes standards of basic accounting and reporting for not-for-profit organizations.

Under this standard, the Revel is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the governing board of the Revel for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Revel and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Revel. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

Cash and Cash Equivalents - The Revel considers all highly liquid debt instruments with a remaining maturity at date of purchase of three months or less to be cash equivalents. The demand deposit balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2009 and 2008, respectively. As of December 31, 2009 and 2008, the Revel did not have any cash balances in excess of FDIC insurance limits.

Inventory - Inventories of merchandise and supplies are carried at the lower of cost or market. Cost is determined by the average-inventory method.

Contributions - The Revel has also adopted FASB ASC 958-605 and subsections (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Promises to Give - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received by the Revel that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Revel uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's judgment. At December 31, 2009 and 2008, there were no amounts reserved in the allowance for doubtful accounts.

Donated Materials and Services - Donated property, marketable securities and other non-cash donations are recorded as contributions at their fair market value at the date of donation. Donated services are recognized as contributions in accordance with FASB ASC 958-605 and subsections (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*), if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Revel. Many volunteers donate significant amounts of time to the Revel in furthering its programs and objectives. These services are not recognized as contributions in the financial statements because the recognition criteria under FASB ASC 958-605 and subsections was not met. It is impracticable to determine the fair market value of all donated services by the Junior League and other volunteers beyond those required to be recognized as income.

Donated materials, equipment, and labor provided by the City of Shreveport, Chase Bank, and PepsiAmericas, as well as various other contributors, are recorded as contributions of in-kind services in the financial statements at their estimated values at the date of receipt. In 2009 and 2008, the Revel recorded total in-kind contributions and services of \$290,410 and \$578,555, respectively.

CORK is a fundraising event that was held in both 2009 and 2008. The revenue from this event included sponsor contributions, admission fees, and raffle ticket sales. For the years ended December 31, 2009 and 2008, the gross revenue generated from CORK was approximately \$157,000 and \$166,000, respectively. The direct expenses related to this event were approximately \$65,000 and \$82,000, respectively. Gifts in-kind for

contributions and services that related to CORK were approximately \$49,000 and \$39,000, respectively. Additionally, allocated payroll expenses were approximately \$28,000 and \$20,000, respectively.

BREW began as an additional fundraising event in 2009. This event was shared with Downtown Shreveport Unlimited (DSU). The Revel and DSU each receive half of the net proceeds from the event. The revenue from this event included sponsor contributions and admission fees. The gross revenue generated from BREW was approximately \$115,000 in 2009. The direct expenses related to this event were approximately \$104,000 for 2009. Gifts in-kind for contributions and services that related to BREW were approximately \$24,000. Additionally, allocated payroll expenses were approximately \$20,000.

Property and Equipment - Assets purchased are recorded at cost and depreciated using the straight-line method over the assets estimated useful life. Donated assets are recorded at their estimated fair value at the date of donation and are depreciated using the same method as assets purchased. Assets purchased with an initial cost of less than \$1,000 are generally expensed in the period of acquisition.

Income Taxes - The Revel is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Revel currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Revel adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*) on January 1, 2009. Under FASB ASC 740-10-25, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of this standard had no impact on the Revel's financial statements. The Revel does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of January 1, 2009, as a result of the adoption of FASB ASC 740-10-25. For the year ended December 31, 2009, there were no interest or penalties recorded or included in its financial statements.

Retirement Plan - The Revel has a Simplified Employee Pension (SEP) which is a type of retirement plan under which an employer makes contributions to IRAs of employees. After an employee completes one year of service, the Revel contributes 6% of the eligible employee's compensation. At December 31, 2009 and 2008, there was an accrued liability for retirement contributions of \$3,787 and \$2,868, respectively. Total retirement expenses in 2009 and 2008 were \$11,029 and \$11,064, respectively.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Reclassifications

Certain balances and amounts presented in the 2008 financial statements have been reclassified to conform to the 2009 presentation. These reclassifications had no effect on the change in net assets.

Note 3 Functional Expenses and Expenses by Natural Classification

The following is a schedule of functional expenses and expenses by natural classifications for the year ended December 31, 2009, and includes summary totals for 2008.

	Red River Arts Festival	Farmers' Market	Festival Plaza Pavilion No. 2	Supporting Services	Totals	
					2009	2008
Salaries and benefits	\$ 196,535	\$ 10,791	\$ -	\$ 48,014	\$ 255,340	\$ 244,241
Site operations	400,166	-	-	-	400,166	527,025
Commissions and other operating expenses	330,165	13,992	-	-	344,157	459,050
Music and performing arts	280,712	-	-	-	260,712	237,410
Programs	55,260	-	-	-	55,280	52,103
Advertising and promotion	117,822	-	-	23,728	141,550	354,395
Depreciation	-	-	-	3,815	3,815	4,004
Insurance	-	-	-	29,778	29,778	29,497
Accounting and legal	-	-	-	12,550	12,550	16,674
Supplies	-	-	-	13,371	13,371	14,587
Telephone	-	-	-	11,503	11,503	13,968
Bad Debt	-	-	-	-	-	(332)
Dues and subscriptions	-	-	-	2,041	2,041	1,408
Interest expense	-	-	-	4,069	4,069	4,679
Janitorial services	-	-	-	-	-	1,061
Fundraising costs	-	-	-	218,545	218,545	102,942
Capital outlay grant	-	-	35,379	-	35,379	304,688
Other administrative costs	-	-	-	18,362	18,362	25,868
Total expenses	\$ <u>1,380,660</u>	\$ <u>24,783</u>	\$ <u>35,379</u>	\$ <u>385,776</u>	\$ <u>1,806,598</u>	\$ <u>2,393,264</u>

Note 4 Contributions Receivable

Contributions receivable of \$8,002 and \$6,042 at December 31, 2009 and 2008, respectively, are classified as unrestricted and are considered to be fully collectible within one year. Accordingly, no allowance for uncollectible promises to give has been recognized at December 31, 2009 and 2008.

Note 5 Property and Equipment

Property and equipment purchased by the Revel in excess of \$1,000 are capitalized. Property and equipment are stated at cost, or if donated, at the estimated fair value at the time of donation. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets. A summary of property and equipment at December 31, 2009 and 2008, is as follows:

	Useful Life	2009	2008
Structures	3-15 years	\$ 48,412	\$ 95,238
Tents	5 years	3,789	4,280
Trailers	10 years	3,217	5,253
Other equipment	3-7 years	72,360	244,697
		<u>127,778</u>	<u>349,468</u>
Less accumulated depreciation		(121,780)	(339,276)
Property and equipment, net		\$ <u>5,998</u>	\$ <u>10,192</u>

For 2009 and 2008, the Revel's depreciation expense was \$3,815 and \$4,004, respectively.

Note 6 Net Assets

The governing board of the Revel has designated a portion of unrestricted net assets for emergency contingencies. The designated amount is established pursuant to a clause in the Revel policy guidelines, which specifies that an emergency contingency amount equal to the estimated operating expenses of the next Revel be maintained, if possible. This amount has generally been set at \$300,000 and was increased to \$450,000 in 1995. Reductions in the designated amount are approved by the Revel's Governing Board through the budget process and are limited to funding future festivals, developing art in the community, or making capital improvements. At December 31, 2004, because of significant operating losses during the five preceding years, designated net assets was reduced to \$0. At December 31, 2009 and 2008, designated net assets remained \$0.

Note 7 Rent Expense

In May 2002, the Revel moved to the old Illinois Central Train Depot located in the City of Shreveport's Festival Plaza. In lieu of paying rent for this facility, the Revel provides management services for the Festival Plaza, Farmers' Market, and the Red River Revel Arts Festival; therefore, there was no rent expense in 2009 or 2008.

Note 8 Temporarily and Permanently Restricted Net Assets

The Revel established an endowment fund in late 1995, the income of which was restricted to reducing deficits or funding emergency needs of Revel operations. Contributions to the endowment fund began in 1996. In February 1996, the Revel transferred control of most of this endowment fund to the Community Foundation of Shreveport-Bossier (the "Community Foundation") but retained a portion of the fund on its books. Under the terms of the agreement with the Community Foundation, net investment income of the endowment fund may be accumulated, or paid to the Revel, as the two parties see fit; however, such income may not be accumulated indefinitely. Prior to 1999, all net earnings of the fund had been accumulated. The Community Foundation has variance power over the transferred assets such that the governing board of the Community Foundation may, with 30 days notice to the Revel, vary the purposes, uses, or methods of administration of the transferred assets.

A summary of the activity on the endowment fund follows:

	Endowment	
	Red River Revel	Community Foundation
Balance at December 31, 2007	\$ 125	\$ 254,863
Contributions	200	-
Interest and dividends	-	3,638
Realized and unrealized gains (losses)	-	(82,981)
Distributions to Revel	-	(9,273)
Fees	-	(2,105)
Balance at December 31, 2008	325	164,142
Contributions	150	-
Interest and dividends	-	3,946
Realized and unrealized gains (losses)	-	26,642
Distributions to Revel	-	(9,173)
Fees	-	(1,984)
Balance at December 31, 2009	\$ 475	\$ 183,573

Note 9 Note Payable – Line of Credit

Under the terms of a revolving credit agreement with Regions (AmSouth) Bank, dated December 13, 2004, the Revel may borrow up to \$100,000 at 0.25% above the bank's prime interest rate through December 13, 2007. This credit agreement was extended through a commercial guaranty. A new agreement was executed on November 16, 2009 with a maturity date of November 16, 2012. The Revel may borrow up to \$200,000 at an

annual percentage rate, which is based upon the current index plus a variable margin. The balances at December 31, 2009 and 2008, were \$175,000 and \$60,802, respectively. The interest rates at December 31, 2009 and 2008, were 4.75% and 4.5%, respectively. Interest expense for the year ended December 31, 2009 and 2008, was \$4,069 and \$4,679, respectively.

Note 10 Advertising

The Revel uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. For 2009 and 2008, the Revel recorded advertising costs of \$141,550 and \$354,395, respectively. Included in these amounts were in-kind contributions received from various donors and recorded at fair value. For 2009 and 2008, the total in-kind contributions related to advertising were \$71,945 and \$253,041, respectively.

Note 11 Subsequent Events

The Revel has evaluated subsequent events through June 15, 2010, the date which the financial statements were available to be issued.

Note 12 Uncertainties Related to a Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles, generally accepted in the United States of America, which contemplate continuation of the Revel as a going concern. As of December 31, 2009, the Revel's net assets decreased by \$89,789. This increased their deficit from \$61,378 at December 31, 2008, to \$151,167. At December 31, 2009 and 2008, current liabilities exceeded current assets by \$157,640 and \$71,895, respectively. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might be necessary in the event the entity cannot continue in existence.

The Revel has experienced operating losses due to decreased revenue from seven of ten past Revels that have had rain on the key weekends. In 2009, there was again a significant amount of rain during the Revel that resulted in a large decrease in attendance. Therefore, the Revel incurred a significant loss during 2009. During the end of 2009 and beginning of 2010, the Revel held a Grass Roots campaign to raise donations. The last time the Revel held this type of campaign was in 2006. Additionally in October 2009, the Revel began BREW, which is a fundraising event that includes a premier beer tasting afternoon and an evening concert. Management anticipates continued growth in both fundraised monies and community support in 2010. The Revel hosted the fifth annual CORK fundraising event in April 2010 and plans to host the second annual BREW event in October 2010. Management believes that with the success of CORK and BREW, an increase in grants, and the continued effort to reduce costs through careful spending and gifts-in-kind, will begin to reduce the deficit in net assets in 2010.

ROBERTS, CHERRY AND COMPANY
Certified Public Accountants, Consultants

Independent Auditor's Report

The Governing Board
Red River Revel Arts Festival

We have audited the accompanying statements of financial position of Red River Revel Arts Festival (the "Revel") as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Revel's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Red River Revel Arts Festival as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2010, on our consideration of the Red River Revel Arts Festival's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

ROBERTS, CHERRY AND COMPANY

ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
June 15, 2010

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed
In Accordance With Government Auditing Standards**

The Governing Board
Red River Revel Arts Festival

We have audited the financial statements of the Red River Revel Arts Festival (the "Revel") as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 15, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Revel's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Revel's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Revel's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Revel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards.

We noted certain matters that we reported to management of the Red River Revel Art Festival in a separate letter dated June 15, 2010.

This report is intended solely for the information and use of Red River Revel Arts Festival, its management, the State of Louisiana Legislative Auditor, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

ROBERTS, CHERRY AND COMPANY

ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
June 15, 2010

ROBERTS, CHERRY AND COMPANY
Certified Public Accountants, Consultants

To The Finance Committee
Red River Revel Arts Festival
Shreveport, Louisiana

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the Red River Revel Arts Festival (the "Revel") for the year ended December 31, 2009. These items are offered as constructive suggestions to be considered as part of the ongoing process of modifying and improving the Revel's practices and procedures.

Auto Allowances and Reimbursements

Year of Origination – December 31, 2008

Criteria

Fringe benefits for employees are taxable wages unless specifically excluded by certain sections of the Internal Revenue Code.

Condition and Cause

We noted that the Revel paid flat monthly auto allowances for employees and that these allowances were not included in the employees' Form W-2, as required by income tax regulations.

Recommendation

We recommended that auto allowances paid to an employee be reported as "wages, tips and other compensation" on the employee's Form W-2, unless the employee makes an adequate accounting to the Company. An accounting would be adequate if reimbursement was based on actual business miles driven multiplied by a fixed mileage allowance not exceeding the per-mile amount allowable for tax purposes.

Corrective Action Taken

No action was taken.

Management's Corrective Action Plan

Employees will provide adequate accounting to the management to support the auto allowances.

This communication is intended solely for the information and use of management, the Revel's Finance Committee and others within the organization, is not intended to be, and should not be used by anyone other than these specified parties.

ROBERTS, CHERRY AND COMPANY

Roberts, Cherry and Company

A Corporation of Certified Public Accountants
Shreveport, Louisiana
June 15, 2010